

Message Text

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13-12

ACTION EA-09

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SUBJ: FRASER GOVERNMENT OPPOSES WAGE INDEXATION RISE

REF: CANBERRA 715

1. SUMMARY: IN A SURPRISE MOVE THE FRASER GOVERNMENT ANNOUNCED ON FRIDAY, JANUARY 30, THAT IT WOULD OPPOSE ANY WAGE INDEXATION RISE OF OVER 3.2 PER CENT WHEN THE CONCILIATION AND ARBITRATION COMMISSION COMMENCES HEARINGS ON WAGE INDEXATION ON FEBRUARY 3. WHILE THIS MOVE AROUSED HEATED OPPOSITION, IT IS HELPFUL FOR FRASER POLITICALLY IN THAT IT DEMONSTRATES THAT HE IS DETERMINED TO MAKE TOUGH DECISIONS IN AN EFFORT TO CONTROL INFLATION. END SUMMARY

2. OPPOSITION LEADER WHITLAM PROMPTLY LABELED THE FRASER GOVERNMENT'S DECISION AS A BLATANT REPUDIATION OF FRASER'S SPECIFIC CAMPAIGN PROMISE TO SUPPORT WAGE INDEXATION. ACTU AND ALP PRESIDENT BOB HAWKE WARNED THAT THE UNIONS WOULD DISREGARD THE ARBITRATION COMMISSION AND PRESS WAGE CLAIMS ON EMPLOYERS FOR THE 6.4 PER CENT COST OF LIVING ADJUSTMENT CLAIMED BY THE ACTU UNLESS THE COMMISSION

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AWARDED THIS AMOUNT. QTE, THE TRADE UNION MOVEMENT WILL

SAY: WE CAN'T GET REAL WAGE PROTECTION INSIDE THE COMMISSION; WE'LL GET IT OUTSIDE IT. END QTE

3. THE LIBERAL STATE GOVERNMENTS IN NEW SOUTH WALES AND VICTORIA HAVE INDICATED THAT THEY WILL SUPPORT WAGE INDEXATION WITH THE AWARD OF A FULL 6.4 PER CENT INCREASE WHEN THEY APPEAR AT THE CONCILIATION AND ARBITRATION COMMISSION HEARING. THE LIBERAL LEADER IN THE QUEENSLAND PARLIAMENT, TREASURER SIR GORDON CHALK, ALSO BLASTED THE FRASER GOVERNMENT'S DECISION IN MUCH THE SAME MANNER AS WHITLAM AND HAWKE. THE GOVERNMENT OF WESTERN AUSTRALIA HAS ANNOUNCED THAT IT WILL PRESS FOR 4.3 PER CENT, I.E. THE AMOUNT OF THE C PI INCREASE LESS THE AMOUNT ALLOCABLE TO RECENT TAXATION MEASURES.

4. FRASER AND HIS MINISTERS WERE CLEARLY STUNG BY THE ADVERSE REACTION TO THEIR POSITION AND HAVE BEGUN A PUBLIC CAMPAIGN DEFENDING IT ON THE GROUNDS THAT INFLATION MUST BE CURBED IF AUSTRALIA IS TO RETURN TO FULL EMPLOYMENT.

5. COMMENT: FRASER HAS TAKEN A TOUGH AND UNPOPULAR DECISION. IF THE CONCILIATION AND ARBITRATION COMMISSION ADOPTS THE FEDERAL GOVERNMENT'S RECOMMENDATION TO LIMIT ANY WAGE INDEXATION RISE TO 3.2 PER CENT, THE TRADE UNION MOVEMENT COULD WELL RESPOND WITH A SERIES OF STRIKES. IF THE COMMISSION AWARDS A 6.4 PER CENT INCREASE AS RECOMMENDED BY THE ACTU AND MOST OF THE STATE GOVERNMENTS, FRASER WILL AT LEAST BE IN A POSITION TO SAY THAT HIS GOVERNMENT WAS SERIOUS ABOUT FIGHTING INFLATION. WHATEVER THE OUTCOME, FRASER HAS CREATED THE IMPRESSION OF BEING DETERMINED TO CURB INFLATION BY INSISTING UPON WAGE RESTRAINT AND SHIFTED THE POLITICAL RESPONSIBILITY FOR SUBSEQUENT INFLATION AND OR INDUSTRIAL UNREST ON THOSE WHO DISAGREE WITH HIM.

6. THE DECISION WAS APPARENTLY VERY MUCH OF FRASER'S OWN MAKING. IT IS GENERALLY KNOWN THAT ON FRIDAY, JANUARY 23, THE ECONOMIC COMMITTEE OF THE CABINET, OF WHICH FRASER IS CHAIRMAN, DECIDED TO SUPPORT FULL IN-

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DEXATION. IT MAY BE SPECULATED THAT THE OUTCRY FROM BUSINESS AT THE COST OF PROPOSED 6.4 PERCENT INCREASE COMBINED WITH THE FACT THAT LABOR'S TWO STRONGEST PROPOSERS OF INDEXATION (FORMER TREASURER BILL HAYDEN AND FORMER LABOR MINISTER SENATOR J. MCCLELLAND) WERE RELEGATED TO BACK-BENCH POSITIONS ALONG WITH THE REPORTED OPPOSITION TO FULL INDEXATION BY PUBLIC SERVANTS IN THE TREASURY, CAUSED FRASER TO CHANGE HIS MIND.

7. IN ADDITION TO A 6.4 PERCENT WAGE INDEXATION RAISE, SOME UNION LEADERS WERE ALSO DEMANDING PRODUCTIVITY INCREASES PRIOR TO THE GOA'S ANNOUNCEMENT. FRASER'S OPPOSITION TO A WAGE INDEXATION RAISE OF OVER 3.2 PERCENT AT LEAST TENDS TO PUT A 6.4 PERCENT LID ON ANY EVENTUAL SETTLEMENT.

8. THE GOVERNMENT HAS ALSO HINTED THAT PROMISED TAX INDEXATION WILL BE DELAYED IF THE PRINCIPLE OF WAGE INDEXATION IS NOT FOLLOWED BY UNIONS. IT HAS BEEN SPECULATED THAT FRASER IS SEEKING TO FORCE THE UNIONS INTO AN UNTENABLE POSITION ON WAGE INDEXATION IN ORDER TO BE ABLE TO MOVE SLOWLY ON TAX INDEXATION, A CONCEPT THAT IS FRAUGHT WITH DIFFICULTIES AND SUBJECT TO STRONG OBJECTIONS WITHIN THE TREASURY. END COMMENT.
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